

## KEYSTONE MANAGEMENT GROUP

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MSHDA-Legal

September 6, 2007

Ms. Mary Levine, Acting Director of Legal Affairs  
Michigan State Housing Development Authority  
735 E. Michigan Ave.  
Lansing MI 48909

### RE: DRAFT QUALIFIED ALLOCATION PLAN

Dear Ms. Levine:

As an affordable housing practitioner, I am deeply concerned by the draft Qualified Allocation Plan (QAP) recently released by the Michigan State Housing Development Authority (MSHDA) and would like to express my reservations. You will find that many of my concerns are in line with those expressed by the Michigan Housing Council. At the public forums many people from Michigan's most experienced affordable housing community asked that certain principles be included in any new QAP. Some of those items requested but not included are:

- Affordable housing practitioners asked for keeping consistency and making only minor changes in order to foster development of affordable housing. MSHDA responded with an untested model for allocating the housing credit to financially risky projects at a time when MSHDA is foreclosing on mortgage loans at an unprecedented rate.
- Affordable housing practitioners asked for incentives to target extremely low-income households. MSHDA responded with unfunded, public mandates to target extremely low-income households.
- Affordable housing practitioners asked for a fair allocation of scarce resources. MSHDA responded by directing housing credit to the city(ies) of their choice and to special interest groups. The Native American set aside is an example of a troubling policy in that shortly all tribal communities in the state will have a gaming compact with the State and many if not all, of the gaming activities provide annual per diems paid to tribal members plus employment opportunities that disqualify them for the LIHTC benefits.
- Affordable housing practitioners asked for increased incentives for the preservation of existing affordable housing developments. MSHDA eliminated the preservation incentives holdback entirely.
- Affordable housing practitioners asked for a streamlined approval process for tax credit applications. MSHDA responded with an approval process for tax credit applications that fails to meet these needs and continues a process that is unwieldy for both MSHDA and the housing practitioners.



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Additionally, I am troubled by several new features of the proposed QAP. My first concern is the new requirement whereby LIHTC applicants must submit to criminal background checks. I find this a pointless and offensive exercise and request that you identify the reasons behind the conclusion that criminal background checks are needed in the administration of the LIHTC program. I would also like assurances that if required, such information will remain confidential and that MSHDA stand ready to indemnify LIHTC applicants if the information were to somehow become public or misused by MSHDA staff.

Secondly, developers have traditionally desired enough time between funding rounds to allow for improving their application and to reapply in the next funding round if an award has not been achieved. The Expected Award date of March 2008 and the next Funding Round of April 2008 make the opportunity to reapply out of the question.

Thirdly, "delivery service (e.g., post, overnight, courier)" are terms not succinctly defined and subject to controversy. Elimination of this requirement would be wise.

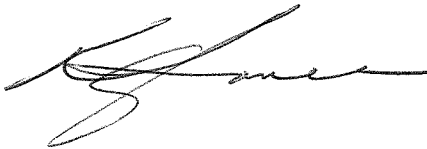
The draft QAP fails as a policy initiative and will effectively cripple the production of affordable housing in Michigan and compound the problems already faced by the Michigan economy and our construction industry. I strongly recommend you consider the voices of the development community before taking action on the draft QAP.

The draft QAP should not be adopted by the MSHDA Board or approved by the Governor without significant revisions, and until an acceptable plan can be put forward, MSHDA should immediately schedule an October tax credit round using the current QAP.

I noticed on the MSHDA website that letters of comment have been posted. Please add this letter to the postings so that all groups are represented.

Sincerely,

**KEYSTONE PROPERTY MANAGEMENT, INC.**

A handwritten signature in black ink, appearing to read 'K. Bovee', with a stylized flourish at the end.

Kenneth C. Bovee, CPM®  
President

cc: Honorable Jennifer M. Granholm  
Bernie Gliberman, Chairman, MSHDA Board  
(State Representative)  
(State Senator)